



Hoosier credit rate gets boost

Paving the way for lower interest

By Bryan Corbin

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INDIANAPOLIS — The credit rating of Indiana's state government has been upgraded to the highest possible AAA by the independent rating agency Standard & Poor's, a first in state history, officials said Monday.

The new S&P rating means the state, municipalities and 228 local school corporations now will be eligible for lower interest rates if they apply for loans.

"We will be getting a lower cost of interest when local units of government need to borrow money," State Treasurer Richard Mourdock said.

If the cost to government for borrowing is less, that's ultimately less that must be funded by taxpayers, he said.

S&P downgraded Indiana's credit rating three times between December 1997 and June 2005 but has upgraded it twice since then, the last time in January 2006.

Murdock said that in evaluating the credit rating, S&P conducted what amounted to an audit of the state's books and interviewed top state government financial officials.

Helping boost the rating is the property tax restructuring plan, House Bill 1001, that shifts school general fund costs and child welfare costs off local property tax dollars and has the state assume those financial burdens, by raising the 6 percent sales tax to 7 percent.

Also earning the state points is the fact it has maintained a relatively high general fund balance compared to other states, Mourdock said, and balanced the state budget three years in a row, ending the most recent fiscal year with a surplus of \$321 million.

Being listed as AAA "takes us to another set of investors" in terms of institutional investors who would buy the state's bonds, Mourdock said.

"AAA means it's as safe as they can get," he said.

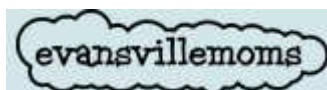
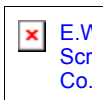


Nine other states — Missouri, Minnesota, North Dakota, Maryland, Virginia, North Carolina, Georgia, Florida and Utah — have an AAA credit rating from S&P, according to the governor's office.

When Gov. Mitch Daniels took office in early 2005, Indiana had a \$600 million deficit. By curtailing spending, capping property tax relief and giving schools smaller spending increases than usual, the state ended the next fiscal year with a balanced budget. The state has repaid almost all its back payments owed, and it finished the last fiscal year having spent \$321 million less than it took in.

Recent figures from the Bureau of Labor Statistics showed Indiana's unemployment rate rising 1/2 percent in May, the largest one-month percentage increase in the nation, to 5.8 percent. The rate is still below that of all the surrounding states, however. Mourdock said the S&P credit rating took into account Indiana's unemployment, job creation and new capital investment.

n The Associated Press contributed to this report.



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